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Review of the efficiency of the administrative and financial functioning of the United Nations

Comprehensive report on United Nations procurement activities

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the comprehensive reports of the Secretary-General on United Nations procurement activities, the pilot project on the independent procurement challenge system and the response to the comprehensive report of the Office of Internal Oversight Services on United Nations procurement activities (A/67/683 and Corr.1 and Add.1 and 2). During its consideration of the reports, the Advisory Committee met with representatives of the Secretary-General, who provided additional information and clarification, concluding with written responses received on 15 March 2013.

2. The report of the Secretary-General on procurement activities (A/67/683) was submitted pursuant to General Assembly resolution 65/261 in follow-up to a comprehensive report dated 11 August 2009 (A/64/284). The Advisory Committee commented on the comprehensive report and the addenda thereto, on procurement governance arrangements within the United Nations (A/64/284/Add.1) and sustainable procurement (A/64/284/Add.2), in its related report (A/64/501). The Assembly, in its resolution 65/261, decided to consider further those reports at the first part of its resumed sixty-seventh session. The Committee refers to the observations and recommendations in its previous report on procurement activities, where appropriate, in the present report.

3. The Advisory Committee was provided with a copy of the evaluation undertaken by the Office of Internal Oversight Services pursuant to paragraph 29 of General Assembly resolution 66/265, in which the Assembly noted the concerns identified by the Board of Auditors and the Office of Internal Oversight Services relating to procurement activities, and requested the Secretary-General to entrust the

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Office with performing a comprehensive evaluation of shortcomings and the unique circumstances contributing to them.

4. In this regard, the Advisory Committee notes that addendum 2 to the report of the Secretary-General is submitted pursuant to paragraph 30 of General Assembly resolution 66/265, in which the Assembly requested the Secretary-General to report at the second part of its resumed sixty-seventh session on the findings and recommendations of the comprehensive evaluation, including information on actions taken and proposed actions to be taken by the Assembly to prevent a recurrence of such shortcomings. During its consideration of the report, the Committee met with representatives of the Office of Internal Oversight Services, who provided additional information and clarification concerning the findings and the recommendation contained in the comprehensive evaluation report. The Committee makes reference to the findings and recommendation of the Office of Internal Oversight Services, where pertinent, in the present report.

5. In his report on United Nations procurement activities, the Secretary-General indicates that the Procurement Division has continued to adopt a more strategic approach to procurement in order to meet end-user requirements, which has been achieved through structural changes to the Division, including the creation of a regional procurement office in Entebbe, Uganda, as a pilot project; the establishment of global complex high-value contracts essential for mission operations; the critical review and enhancement of accountability and delegation of authority along with strengthened internal control mechanisms; improved sourcing, including further enhancement of business opportunities for vendors from developing countries and countries with economies in transition; improvement of information technology systems in preparation for the implementation of the enterprise resource planning project (Umoja); and a comprehensive training programme leading to certification (A/67/683, para. 3).

6. The Advisory Committee recalls its request that in future reports the Secretary-General present the totality of procurement volume of the entire Secretariat, including procurement by offices away from Headquarters, tribunals and regional commissions (A/64/501, para. 6). The Secretary-General indicates that the procurement volume for the Secretariat increased from $2,134.4 million in 2007 to $3,468.8 million in 2011, or 63 per cent, as a result of the expansion in peacekeeping operations and the implementation of the capital master plan and Umoja (A/67/683, para. 1). He further indicates that out of that total, the volume of procurement at Headquarters increased by 72 per cent, from $972.8 million in 2007 to $1,668.0 million in 2011, while the procurement volume of peacekeeping missions increased by 62 per cent, from $931.4 million in 2007 to $1,505.5 million in 2011.

7. The increase in procurement volume in the period from 2007 to 2011 was not proportionately matched by an increase in the resources of the Procurement Division (ibid., para. 2). The Advisory Committee was informed that staffing in the Division had increased by 11.5 per cent in that period, while the volume of procurement had increased by 72 per cent in the same period. Upon enquiry, the Committee was provided with additional information on the annual volume of procurement, including the number of procurement contracts entered into for major projects, namely, information technology projects, Umoja, the implementation of the International Public Sector Accounting Standards (IPSAS) and the capital master

plan (see annex). The Committee notes that in the period 2007-2012, the number of contracts entered into in respect of these major projects decreased from a total of 4,008 contracts in 2007 to 3,843 contracts in 2012. The Committee was informed, upon enquiry, that in 2012 the volume of procurement had declined owing to the upcoming conclusion of the capital master plan and reductions in expenditures related to air operations and that the total volume of procurement in 2012 amounted to $3,058,377,334, which is $410,451,986, or 11.8 per cent, less than the total in 2011.

8. The Advisory Committee notes at this stage that the increase since 2007 in the volume of procurement, which is attributable mainly to the implementation of a number of major projects that are due to be completed in the near future, is not a reliable indicator of the need for additional budgetary resources in the long term. In this regard, the Committee also notes that the increase in the volume of Headquarters procurement since 2007 has not been matched by similar growth in the quantity of related procurement contracts. **The Committee reiterates its view that the Procurement Division should develop performance indicators and quantitative analysis tools that could help it to monitor its workload and the efficiency of procurement actions by providing a basis for comparing one period with another and for drawing conclusions thereon (see A/64/501, para. 11).** The Committee will consider the budgetary requirements of the Procurement Division in the context of the budget for the support account for peacekeeping operations for the period from 1 July 2013 to 30 June 2014 and the proposed programme budget for the biennium 2014-2015 and will provide its comments and recommendations in the relevant reports.

II. Internal control mechanisms and the acquisition and procurement management process

A. Governance

9. The Secretary-General indicates that the Procurement Division introduced a new organizational structure with effect from 16 July 2012. According to the report, the Division has established a communications and information technology support team as a new section, as the continued evolution of the Umoja solution has led to increased demand for consulting and technology requirements. Similarly, the procurement team for the capital master plan has been integrated with the infrastructure support team (A/67/683, paras. 5-6).

Regional procurement office

10. The Advisory Committee recalls that the Secretary-General indicated his intention to transfer procurement functions and related staff in field missions to a regional procurement office (see A/64/697). In its previous report on procurement activities, the Committee emphasized that a proposal concerning the regional procurement office should be more fully elaborated and presented to the Assembly in the context of its consideration of the global field support strategy (A/64/501, para. 20).

11. A regional procurement office was established in Entebbe in July 2010 to serve peacekeeping and special political missions in East and Central Africa (see

A/67/683, paras. 7-13). The Advisory Committee was informed that the regional procurement office operates as part of the Procurement Division and that its Chief has delegated authority equivalent to that of other sections of the Division at Headquarters. The Committee was further informed that the regional procurement office had been established as a pilot project on a cost-neutral basis within the existing resources of the field missions and the Procurement Division and that its Chief reports to the Chief of the Field Procurement Service at Headquarters. The regional procurement office comprises 24 posts, inclusive of the 2 posts reassigned from Headquarters that are funded under the support account and 22 posts funded under the budgets of the missions served by the regional procurement office. It is indicated in the report that the offices and special political missions financed from the regular budget that are served by the regional procurement office include the United Nations Integrated Peacebuilding Office in the Central African Republic, the United Nations Office in Burundi, the United Nations Integrated Peacebuilding Office in Guinea-Bissau, the United Nations Integrated Peacebuilding Office in Sierra Leone, the United Nations Regional Office for Central Africa and the United Nations Office for West Africa. The Committee notes that in the report of the Secretary-General on the overview of the financing of peacekeeping operations (see A/67/723, annex II, para. 61), the possibility of introducing a better funding model for the Regional Service Centre, such as a fee-for-service model, may arise. The Committee will comment further on this topic in its forthcoming report on cross-cutting issues in peacekeeping operations (A/67/780).

12. The Advisory Committee was informed that the functions of the staff working in the regional procurement office included: (a) the procurement of goods and services on behalf of the regional missions through the joint acquisition plans and mission-specific requirements; (b) the provision of surge capacity during the start-up phase of field missions; (c) the registration of vendors; (d) the conduct of business seminars; and (e) providing procurement training for missions in the region. The Secretary-General indicates that the services of the regional procurement office have been expanded to include procurement support to all West African peacekeeping missions (A/67/683, para. 13).

13. The regional procurement office has been successful in obtaining savings owing to economies of scale by consolidating the requirements of field missions in East and Central Africa through the development of joint acquisition plans and by improving efficiency (ibid., para. 8). The Advisory Committee notes that the volume of procurement undertaken by the regional procurement office in 2012 amounts to $206,578,090 against regional systems contracts and $243,441,153 in mission-specific contracts. The Committee also notes from the cost-benefit analysis of the regional procurement office that, since its establishment, the office has achieved $26,337,192 in cost savings in comparison with previous contracts established locally and in administrative costs (ibid., annex III). The Committee was informed, upon enquiry, that that figure did not in fact include savings in administrative costs. A corrigendum was subsequently issued to reflect the correct figure of $28,266,542 in cost savings (A/67/683/Corr.1).

14. The Advisory Committee further notes that the total savings generated by the regional procurement office comprises an estimated $11,973,349 in annual savings, including reduced requirements for overhead, savings on entitlements payable in hardship duty stations and the consolidation of requirements under the joint acquisition plan, and an estimated $16,293,193 in other savings since its inception,

attributable mainly to one-off mission-specific purchases (A/67/683, annex III, para. 12). Upon enquiry, the Committee was advised that the $15,319,300 reported as savings against mission budgets consisted of: (a) $10 million pertaining to the third-party logistics services contract of the African Union-United Nations Hybrid Operation in Darfur, reflecting the difference between the previous contract and the contract established by the regional procurement office; (b) $4.5 million for reductions in support services contracts for the United Nations Support Office for the African Union Mission in Somalia; and (c) $819,300 relating to reductions in various contracts compared with initial mission estimates. The Committee further notes that the cost-benefit analysis of the regional procurement office included in the report of the Secretary-General does not provide information on start-up costs.

15. The Advisory Committee notes the course of action proposed by the Secretary-General regarding the regional procurement office (A/67/683, para. 13). Upon enquiry, the Committee was informed that the intention of the Secretary-General is to request the General Assembly to approve the inclusion of the regional procurement office as a section in the Procurement Division. In this regard, the Committee was informed that the procurement authority delegated to the Chief of the regional procurement office by the Director of the Procurement Division at Headquarters had no impact on the levels of authority delegated to the other sections within the Division and that the Director of the Division ensures close coordination, through the Chief of the Field Procurement Service, with the Chief of the regional procurement office in the exercise of its delegated authority for procurement. **The Committee welcomes the reported savings and efficiencies generated thus far by the implementation of the regional procurement office as a pilot project of the Procurement Division. The proximity of the regional procurement office to the larger peacekeeping and special political missions of the Organization may represent a cost-effective means of strengthening internal controls in procurement management and enhancing the monitoring of the exercise of delegated authority in the missions in the region. The Committee recommends that the General Assembly request the Secretary-General to continue the operation of the regional procurement office as a pilot project and to keep the pilot project under close review. The Committee further recommends that the Assembly request the Secretary-General to submit a proposal for the determination of the status of the regional procurement office along with an updated cost-benefit analysis, including expenditures on start-up costs, as well as information on reimbursement for services provided to missions funded under the regular budget, an explanation of any linkage between the regional procurement office and the global field support strategy and a global service delivery model and any proposed modifications to the global service delivery model in his next report on procurement activities.**

Accountability and delegation of authority

16. The Assistant Secretary-General for Central Support Services, in July 2012, increased the authority delegated to mission procurement sections from $75,000 to $150,000, which reflects an increase in the threshold for the local committees on contracts. The Secretary-General notes that the increases are counterbalanced by detailed procedures ensuring transparency and internal control (ibid., para. 16). In this regard, the Advisory Committee was informed that for field missions, the Field Procurement Liaison Team of the Department of Field Support is responsible for

monitoring the procurement authority delegated to field mission staff by its Under-Secretary-General and that the Policy and Compliance Monitoring Section of the Procurement Division conducts continuous reviews supported by databases in which control weaknesses are recorded and monitored by the Office of Central Support Services. **The Committee re-emphasizes the importance of well-defined and properly implemented delegation of authority to those involved in the procurement process (see A/64/501, para. 33).**

Compliance monitoring

17. According to the report of the Secretary-General, the Procurement Division has since 2008 been implementing a compliance-monitoring programme, ensuring adherence to the Financial Regulations and Rules of the United Nations through procurement assistance visits, peer-to-peer guidance, discussions at the annual conferences of the Chief Procurement Officers and compliance reviews of the processes and procedures of the Procurement Division at Headquarters (A/67/683, para. 18).

18. The Advisory Committee recalls that the Board of Auditors has identified weaknesses in the oversight and monitoring of the procurement process in the United Nations. The Board, in its report on the regular budget accounts of the United Nations, examined contracts that were processed without competitive tender, and the Administration agreed with its recommendation that it strengthen its oversight of competitive procurement by: (a) more robustly challenging the need for contract renewals, the use of waivers and ex post facto approval; (b) utilizing its contracts database to flag up when contracts are approaching key trigger points, such as termination, and actively reminding requisitioning departments that timely action is needed; and (c) identifying which departments are routinely using waivers and ex post facto approvals and engaging with them to improve their procurement planning (A/67/5 (Vol. I), chap. II, para. 116). **The Committee expects the Secretary-General to ensure the prompt implementation of the Board's recommendation in this regard.**

19. In its report on the peacekeeping accounts for the financial period ended 30 June 2012, the Board of Auditors recommended that the Administration systematically enhance controls over the administration of contracts, in particular the approval of ex post facto cases and amendments to contracts, to ensure that they comply with the Procurement Manual (A/67/5 (Vol. II), chap. II, para. 83). **The Advisory Committee reiterates the need for strict adherence to the provisions of the Procurement Manual and other procurement rules and procedures and underscores the importance of the effective monitoring and oversight of field procurement activities by Headquarters, including with respect to the application of delegated authority (see A/66/718, para. 98).**

20. The Advisory Committee notes that the Office of Internal Oversight Services, in the context of its comprehensive evaluation of issues identified in recent oversight reports on procurement activities, highlighted as key issues among the findings of oversight bodies in the area of procurement: (a) the absence of effective performance indicators and tools to monitor delegated procurement authority; (b) unclear assignment or ineffective coordination of monitoring activities between the Office of Central Support Services and the Department of Field Support on procurement authority delegated to field procurement officers; and (c) insufficient

capacity at Headquarters for monitoring procurement activities delegated to field procurement officers. The report states that the Secretary-General has accepted the recommendations to develop a fully systematic monitoring framework for the procurement activities of the Secretariat and to establish regular reporting requirements between the Office of Central Support Services and other entities, particularly those involving high procurement value and risk. In that connection, the Office will perform an in-depth analysis of the best practices in the public sector for the collection of relevant data to allow for the most efficient, viable and thorough monitoring of procurement activities. The Secretary-General takes note of the suggestion of the Office of Internal Oversight Services that he consider the modality of a scorecard, previously adopted by the Office of Human Resources Management, to specify performance indicators and targets and to monitor performance. While the implementation of the recommended systematic monitoring framework will commence immediately, full implementation will be subject to the implementation of Umoja in 2014 and the provision of appropriate additional resources (A/67/683/Add.2, paras. 9-11).

21. According to the report, contract management is the responsibility of the requisitioner and/or end user, while the procurement function is responsible for contract administration. The provisions of chapter 15 of the Procurement Manual assign clear responsibility to contract managers for the identification of contract risks, the assessment of the impact and likelihood of risk materialization, the identification and implementation of actions to manage or mitigate risks and the continued monitoring of risks throughout the life of the contract. **The Advisory Committee notes, however, that chapter 15 of the Manual also specifies that contract management activities are shared by the contract management staff assigned to a dedicated project and/or the requisitioner and/or the end user and all stakeholders reporting to the procurement office. The Committee is therefore of the view that contract management is a shared responsibility. In this regard, the Committee reiterates the need for strict adherence to the provisions of the Procurement Manual and other procurement rules and procedures and underscores the importance of the effective monitoring and oversight of field procurement activities by Headquarters, including with respect to the application of delegated authority, in order to ensure such compliance (see A/66/718, para. 98).**

22. **The Advisory Committee recommends that the General Assembly request the Secretary-General to implement, as a matter of priority, the recommendation of the Office of Internal Oversight Services to develop a fully systematic monitoring framework for the procurement activities of the Secretariat, including performance indicators and targets to monitor compliance and performance in the exercise of delegated authority across departments and at offices away from Headquarters, peacekeeping missions, special political missions and tribunals.**

23. The Advisory Committee will consider any request for additional resources related to the development of the fully systematic monitoring framework, if necessary, when they are submitted to the General Assembly.

Regional/global systems contracts

24. The Secretary-General indicates that in 2011, 73 per cent of field missions' procurement budget was utilized using global systems contracts established by the Procurement Division at Headquarters, an increase from 63 per cent in 2007. According to the Secretary-General, this is indicative of the move towards a more strategic role through the establishment of more global systems contracts, thereby allowing procurement officers at Headquarters to concentrate on strategic procurement while procurement officers in field missions concentrate on essential operational local procurement (A/67/683, para. 34).

25. The Advisory Committee was informed, upon enquiry, that global systems contracts are established for requirements critical to the fulfilment of the Organization's mandate and that regional systems contracts are based on the joint acquisition plan and relate to common mission requirements that lend themselves, by their nature, to regional procurement. Global systems contracts relate in principle to requirements common to all United Nations entities regardless of their location and are put in place by the Procurement Division at Headquarters, which has the specialized expertise necessary to deal with contracts of this magnitude and complexity. The Committee was informed that strategic procurement is based on the cost, criticality and complexity of the requirements of the Organization. **The Committee is of the view that the Secretary-General's distinction between strategic and operational procurement lacks clarity and that he should be requested to specify more precisely the definition and scope of strategic procurement, as compared with operational procurement, to allow for greater transparency and more effective oversight.**

B. Best value for money

26. It is indicated in the report that, in accordance with financial rule 105.15 (a) and (b), the principle of best value for money applies to all solicitation methods, including invitations to bid and requests for proposals (ibid., para. 42). According to the Secretary-General, best value for money is defined as the optimization of whole-life costs and quality needed to meet the user's requirements, while taking into consideration potential risk factors and the availability of resources (ibid., para. 40). The report indicates that invitations to bid are typically used for the procurement of simple goods, which have clearly defined and firm specifications, allowing for the use of compliance criteria, while requests for proposals are used for the procurement of goods, services or works that cannot be quantitatively or qualitatively defined in such extensive detail that would allow for the use of an invitation to bid and compliance criteria only.

27. The Advisory Committee recalls that the General Assembly, in its resolution 61/246, had requested the Secretary-General to report comprehensively to the Assembly at its sixty-second session on the principle of best value for money and its implementation in United Nations procurement, including its possible effect on the diversification of vendors and suppliers and on efforts to improve procurement for vendors from developing countries and countries with economies in transition. The Committee notes that the Secretary-General in his previous report provided information on the application of the principle of best value for money (A/64/284, paras. 33-36) and that the Committee had specifically requested him to provide

additional information on the evaluation techniques used by the Procurement Division for the evaluation of proposals received in response to requests for proposals (A/64/501, para. 44). The Committee notes the information provided in the Secretary-General's report on the weighted evaluation technique (A/67/683, para. 41), which is used as a tool for evaluating proposals received in response to requests for proposals. **The Committee is of the view, however, that additional elaboration and clarity are required with respect to the application of the best value for money principle, including the weight given to all aspects in the solicitation process.**

28. **The Advisory Committee recalls its position that attention should be paid to ensuring that the application of the best value for money principle enables the full participation of vendors from all countries and that it does not have the effect of restricting procurement opportunities for developing countries and countries with economies in transition (see A/62/721, para. 23). The Committee recommends that the General Assembly request the Secretary-General to provide additional information on the application of the best value for money principle, including its possible effect on the diversification of vendors and suppliers and on efforts to improve procurement for vendors from developing countries and countries with economies in transition. The Committee recommends that the Secretary-General be requested to ensure the consistent and objective application of the best value for money principle in the use of the request for proposals solicitation process.**

29. Regarding the solicitation of air charter services, as stated in the report of the Secretary-General on air operations (A/65/738), invitations to bid are being replaced by the request for proposals solicitation type, with a view to allowing greater flexibility in the acquisition of air assets and services and achieving greater value for money (see A/67/683, annex V, para. 1). According to the Secretary-General, the change to the request for proposals solicitation method will mitigate issues associated with the invitation to bid process, such as reliance on certain types of aircraft for specific routes, dependency on certain types of aircraft owing to limited ground support infrastructure, bids from a limited number of vendors and the cost structure in solicitation documents and contracts not in line with industry best practices (ibid., para. 2). He states that the use of requests for proposals for air charter services will improve competitiveness among vendors, as the requests for proposals will allow vendors to submit solutions rather than merely replying to a limited set of criteria. The Advisory Committee notes that the Procurement Division, in coordination with the Department of Field Support, is seeking expert advice from the International Civil Aviation Organization to streamline the transition of the solicitation process for air charter movements from invitations to bid to request for proposals (A/67/683, para. 37).

30. The report states that, in line with the global field support strategy, the Procurement Division, in coordination with the Department of Field Support, in September 2012 established a contract for the use of a long-range widebody jet for troop rotations. Furthermore, cost savings due to reduced positioning costs have been achieved by sequencing movements one after the other, and operational efficiencies have been achieved owing to the reduction in the number of legs in which aircraft fly without passengers (ibid., para. 35). The Advisory Committee recalls that the Secretary-General, in his report on the overview of peacekeeping operations, had indicated that the request for proposals for the widebody aircraft had

been issued in October 2010 but that it had been cancelled owing to lack of vendor interest, and that the Department of Field Support and the Department of Management had been working together to review the scope of work, provide greater outreach and explain the concept to potential vendors to ensure better results for a new solicitation intended to be released in due course (A/66/679, para. 92). In this regard, the Committee, in its previous report on cross-cutting issues in peacekeeping operations, noted that it had been informed that a more vigorous outreach campaign had been conducted and that a new request for proposals had been issued in February 2012 (A/66/718, para. 119). **The Committee welcomes the reported savings and efficiencies realized by the Secretary-General through the utilization of a long-range widebody aircraft, however it notes that a protracted solicitation period delayed the establishment of the contract.** The Committee intends to comment further on this area in its forthcoming report on cross-cutting issues in peacekeeping operations (A/67/780).

31. The Advisory Committee has requested further information on the potential operational impact of changes made regarding the procurement of air transport services in the United Nations Mission in Liberia, on costs, benefits and efficiencies realized with respect to the acquisition of aircraft and on other issues pertaining to the efficient and effective management of air operations in peacekeeping missions, including the lessons learned, and, given that information was still outstanding at the conclusion of its review of the report of the Secretary-General, the Committee intends to comment further on those areas in its report on cross-cutting issues in peacekeeping operations.

C. Pilot project for an independent bid protest system

32. In his report, the Secretary-General indicates that an independent procurement challenge system was established with the creation of the Award Review Board in November 2010 at Headquarters as a pilot project for the purpose of strengthening internal control measures and promoting ethics, integrity, fairness and transparency in the procurement process (see A/67/683, para. 25). The Advisory Committee recalls that the General Assembly, in its resolution 62/269, requested the Secretary-General to launch the pilot project for the independent bid protest system and to report thereon to the Assembly at its sixty-fourth session in the context of the comprehensive report on United Nations procurement activities on the experience gained, as part of the comprehensive proposal concerning the implementation of the system, which would be subject to the prior consideration and approval of the Assembly. The lessons learned from the implementation of the pilot project are contained in A/67/683/Add.1, paragraph 9.

33. The Advisory Committee notes that the pilot project has been extended by the Secretary-General to the end of June 2015 and that the scope of the system has been expanded from the original eligibility threshold of $300,000 to $200,000. The maximum financial compensation payable to a successful challenger is maintained at $50,000 to cover the cost of the procurement challenge; however, attorney's fees can be paid to successful challengers within the existing maximum compensation. The bid challenge system has been extended from solicitations from the Procurement Division at Headquarters to include the regional procurement office in Entebbe. The Secretary-General has also introduced an alternative dispute resolution procedure, which is a voluntary, informal process for dealing with disputes whereby

a third party facilitates the discussion of the parties towards resolution. It is indicated that in 2010 the Senior Vendor Review Committee received two cases; however, one case was considered to be outside of its scope and the other was deemed to have insufficient evidence upon which to make a recommendation (A/67/683, para. 54). The Committee was informed, upon enquiry, that the first case had been submitted by an office that is not part of the United Nations Secretariat, and thus the Senior Vendor Review Committee had no jurisdiction over the matter. The second case had been submitted subsequent to a Member State's fraud office seeking permission from national authorities to prosecute a vendor on issues related to overseas corruption. It was determined by the Senior Vendor Review Committee that there was insufficient evidence to complete the review. **The Committee welcomes the pilot project for an independent bid protest system as a measure of enhanced accountability and increased transparency in the procurement process in the United Nations.**

III. Strategic management of United Nations procurement

A. Umoja

34. The Secretary-General indicates that the implementation of the new consolidated enterprise resource planning system, Umoja, will fundamentally improve, harmonize and modernize the existing workflow and business processes related to procurement in the Secretariat (A/67/683, para. 63). The Advisory Committee was informed that the successful transition to Umoja remained the responsibility of the Assistant Secretary-General for Central Support Services, who is the process owner for corporate services, and that the implementation of Umoja would require the examination of all procurement policies and procedures to ensure compliance with the Organization's rules and regulations. This will therefore entail a complete re-examination of supply chain management as a function within the United Nations. **The Committee recalls its position that greater emphasis should be placed on the full cycle of supply chain management within peacekeeping operations, including oversight of asset holdings and utilization, increased scrutiny of procurement by field missions and the proper management and accounting of all assets (see A/66/718, para. 95).**

35. The Advisory Committee notes that the Procurement Division has initiated the establishment of key performance indicators in line with the recommendations of the Committee in its previous report (A/64/501, para. 11). The Division has implemented eight indicators relating to efficiencies in the procurement process, sourcing and effectiveness and is in the process of developing 13 additional indicators in those areas; however, the implementation of the remaining key performance indicators is dependent on the finalization of the Umoja roll-out process.

36. **The Advisory Committee considers that the implementation of Umoja will have a significant impact on the business processes of the Organization, and it recommends that the General Assembly request the Secretary-General to undertake a review of and report on the related policy and resource implications on procurement and supply chain management.**

B. Sustainable procurement

37. The report indicates that sustainable procurement, according to the Procurement Network of the High-level Committee on Management of the United Nations System Chief Executives Board for Coordination, integrates requirements, specifications and criteria that are compatible and favour the protection of the environment and social progress and support economic development by seeking resource efficiency, improving the quality of products and services and ultimately optimizing costs (A/67/683, para. 67). **The Advisory Committee notes that the General Assembly has not endorsed the application of sustainable procurement criteria (see resolution 62/269).**

38. The Secretary-General indicates that he deems it necessary to take into account the following environmental issues within the acquisition cycle, applying a life cycle approach: optimized packaging, waste reduction and management, energy and water efficiency and greenhouse gas emissions, provided that they do not become a challenge to the participation of developing countries and countries with economies in transition in United Nations procurement (A/67/683, para. 72).

39. The Advisory Committee recalls that the United Nations system has been called upon to improve the management of facilities and operations by taking into account sustainable development practices, building on existing efforts and promoting cost-effectiveness in accordance with legislative frameworks, including financial rules and regulations, while maintaining accountability to Member States (resolution 66/288, para. 96).

40. The Advisory Committee further notes that the Organization has taken an incremental approach to mitigating the impact on the environment of its operations in such areas as wastewater management, recycling, fuel efficiency and the exploitation of alternative energy sources, including wind and solar power. The Committee recalls that, in its report on cross-cutting issues in peacekeeping operations, it encouraged the Secretary-General to further intensify his efforts to mitigate the environmental impact of peacekeeping missions and to continue to draw on the expertise of relevant United Nations agencies, in particular the United Nations Environment Programme, and that it has stressed the importance of ensuring that those measures found to be the most effective are prioritized and shared across all peacekeeping operations (A/66/718, para. 146). The Committee has commented on specific projects and initiatives in individual peacekeeping missions and will comment further on such projects as appropriate, and it notes that the application of certain aspects of environmental policy, for example in the provision of goods and services to peacekeeping and special political missions, can contribute positively to the local economy and to the surrounding community. The Committee notes that such initiatives may also have been implemented in other United Nations offices, agencies, funds and programmes, notably in the United Nations Office for Project Services.

41. **The Advisory Committee reiterates its stated position that, should the General Assembly decide to approve the approach, the implementation of sustainable procurement should be explored with caution in a manner consistent with best practices in today's global market and with the United Nations procurement principles of best value for money; fairness, integrity and**

transparency; effective international competition; and the interest of the United Nations (see A/64/501, para. 55).

C. Increasing procurement opportunities for vendors from developing countries and countries with economies in transition

42. The Secretary-General provides information on measures taken to increase vendor registration and procurement volume from developing countries and countries with economies in transition (A/67/683, paras. 44-51 and 64-65). The report states that in an effort to promote procurement opportunities for vendors in developing countries and countries with economies in transition, the Procurement Division has increased the number of business seminars in those countries. The Advisory Committee was informed that the Division conducts Member State briefings and receives commercial delegations in its offices to increase their awareness of business opportunities and provides train-the-trainer sessions on the vendor registration process to trade officials and representatives of permanent missions. Furthermore, the Division has developed a mobile application to enhance vendor outreach.

43. The Advisory Committee notes that a total of 2,133 vendors took part in business seminars conducted in developing countries and countries with economies in transition in 2011 but that only 212 new vendors, approximately 10 per cent of the total number participating, were in fact registered as new vendors from the countries in which the seminars were conducted (ibid., tables 2 and 3). The report indicates that the number of seminars conducted in such countries increased from 18 in 2007 to 35 in 2011, and that the number of new vendors from those countries increased from 26 to 212 over the same period. The Committee was informed, upon enquiry, that 214 global and regional systems contracts are currently in place, and that 57 of those systems contracts are with vendors from developing countries and countries with economies in transition. The Committee notes from the report that the percentage of procurement from developing countries and countries with economies in transition increased from 52.2 per cent in 2007 to 54.7 per cent in 2011 (ibid., table 5). The Committee was informed that the volume of procurement from developing countries and countries with economies in transition as a percentage of total procurement from Headquarters and peacekeeping missions had increased to 57.5 per cent in 2012 (see table below and para. 50).

Volume of procurement from developing countries and countries with economies in transition versus total procurement 2007-2012

(United States dollars)

	Procurement from developing countries and countries with economies in transition		
	Amount	*Percentage*	*Total procurement*
2007	993 594 945	52.18	1 904 258 090
2008	1 472 106 822	46.41	3 172 271 966
2009	1 411 132 862	40.45	3 488 416 446
2010	1 568 045 091	49.87	3 144 515 529

	Procurement from developing countries and countries with economies in transition		
	Amount	*Percentage*	*Total procurement*
2011	1 735 600 216	54.69	3 173 746 133
2012	1 650 662 499	57.48	2 871 727 727

Note: Totals exclude procurement in offices away from Headquarters.

44. The Advisory Committee recalls that the General Assembly, in its resolution 62/269, stressed the need for business seminars to be more results oriented and tailored to include adequate information on how to access business opportunities in the field of procurement with the United Nations and requested the Secretary-General to continue and intensify the exploration of additional innovative ways to promote procurement from developing countries and countries with economies in transition. **The Committee reiterates its recommendation that business conferences and seminars should be used effectively to generate awareness about opportunities and the procedural requirements for participation in procurement activities at the United Nations (see A/64/501, para. 48). The Committee is of the view that the limited number of new vendors that have registered with the United Nations may indicate that the format and content of the business seminars may need to be modified to better match the needs of potential vendors. The Committee recommends that the Assembly request the Secretary-General to review this programme with a view to making the seminars more effective and to continue and intensify the exploration of additional innovative ways to promote procurement from developing countries and countries with economies in transition.**

Vendor registration

45. The Advisory Committee recalls that it had requested an analysis of how the new vendor registration process had increased opportunities for the participation of small and local vendors in United Nations procurement, as well as of the experience gained with the introduction of generic specifications aimed at avoiding tailored specifications that would predetermine the choice of suppliers by requisitioners (A/64/501, para. 35). According to the Secretary-General, the streamlined vendor registration process implemented in 2008, consisting of four levels, is supportive of small and local businesses, in particular those from developing countries and countries with economies in transition, as they allow such vendors to select a level of registration that matches their financial and operational capacity. There has been a significant increase in the number of vendors registered with the Procurement Division since 2009 as a result of those efforts (A/67/683, para. 48).

46. The Advisory Committee was informed that the regional procurement office pilot project had also contributed to enhancing business opportunities for vendors from developing countries and economies in transition. As at 1 October 2012, the regional procurement office had registered 564 vendors with the Procurement Division, of which 376 were from developing countries and countries with economies in transition. The regional procurement office has also provided an opportunity for vendors to visit the office for assistance. The award of nine regional

systems contracts to regional vendors is, according to the representatives of the Secretary-General, an early example of the regional procurement office's effectiveness in this regard. **The Committee encourages the Secretary-General to continue to assist vendors from developing countries and countries with economies in transition in the registration process in the context of the regional procurement office pilot project in Entebbe and to replicate such programmes in other United Nations offices.**

47. The Secretary-General indicates that the Secretariat is leading the implementation of the United Nations Global Marketplace vendor registration reform project, which is expected to result in a simple, basic registration procedure common to Global Marketplace organizations. The introduction of the standardized process will further facilitate the updating and transfer of data of between 30,000 and 50,000 vendors into the Global Marketplace, enabling the transfer of all Secretariat vendors to the Umoja master vendor record and the creation of a single vendor database for the entire Secretariat (ibid., paras. 50-51). The Advisory Committee recalls its previous comments in this regard (see A/64/501, para. 35). The Committee was informed, upon enquiry, that the local vendor databases of individual missions would be integrated into the global database. The Committee was further informed that the Procurement Division had introduced a basic registration level, which does not require vendors to upload any documentation and does not require a minimum export experience of three years.

48. The Advisory Committee notes that the Board of Auditors has identified deficiencies in vendor management, including the lack of accessible information and unreliable vendor databases. The Procurement Division accepted the recommendation of the Board to ensure the reliability of vendor data by regularly updating it and incorporating performance records into its vendor database (A/67/5 (Vol. II), chap. II, para. 91). **The Committee trusts that this recommendation of the Board will be implemented by the Secretary-General in a timely manner.**

49. Concerning vendor registration, representatives of the Secretary-General highlighted to the Advisory Committee certain difficulties in ascertaining the provenance of some vendors that have operations in multiple countries and who have chosen to register as a legal entity in a location where they do not have significant manufacturing or operational capacity. **The Committee recommends that the General Assembly request the Secretary-General to review the vendor categorization system to verify the actual corporate identity and operational location of specific vendors and to ensure the accuracy and reliability of the data.**

50. **The Advisory Committee notes the limited number of new vendors from developing countries and countries with economies in transition (see A/67/683, tables 2 and 3), despite the vendor outreach and assistance undertaken by the Procurement Division. The Committee considers that this situation seems to indicate that the complexity of the vendor registration process still presents a barrier to the registration of new vendors from developing countries and countries with economies in transition. The Committee recommends that the General Assembly request the Secretary-General to review the vendor registration process in its entirety, including by undertaking further relevant analysis, for inclusion in his next report on procurement activities.**

IV. Accountability issues

51. The Advisory Committee was informed, upon enquiry, that the officer ultimately accountable for implementing the remedial measures described in the reports of the Secretary-General (A/67/683 and Corr.1 and Add.1 and 2) is the Under-Secretary-General for Management. Authority and responsibility for procurement functions is vested in the Under-Secretary-General for Management, who has delegated such authority and responsibility to the Assistant Secretary-General for Central Support Services pursuant to administrative instruction ST/AI/2004/1. The Assistant Secretary-General for Central Support Services has, in turn, delegated that authority to the Procurement Division at Headquarters, the offices away from Headquarters, the regional commissions, the tribunals and the Department of Field Support. With regard to support for peacekeeping and special political missions, authority is delegated to the Under-Secretary-General for Field Support, who in turn delegates such authority to the Directors/Chiefs of Mission Support.

52. The Advisory Committee was further informed, upon inquiry, that the officer responsible for implementing the recommendation of the Office of Internal Oversight Services (A/67/683/Add.2) is the Assistant Secretary-General for Central Support Services, who is ultimately responsible for the provision of efficient, cost-effective, timely and quality procurement services to all entities of the Secretariat, including at Headquarters, offices away from Headquarters, regional commissions, tribunals, field missions and other offices of the Secretariat.

V. Conclusion and recommendation

53. **The Advisory Committee welcomes the Secretary-General's efforts and notes the overall progress made in improving procurement in the United Nations. Further to the observations and recommendations set out above, the Committee recommends that the General Assembly take note of the reports of the Secretary-General (A/67/683 and Corr.1 and Add.1 and 2) and request the Secretary-General to provide periodic updates on the issues raised by the Committee in the present report.**

54. **The Advisory Committee recommends that the General Assembly take note of the extension of the pilot project on the establishment of a formal procurement challenge system to 30 June 2015 and that it request the Secretary-General to report to the Assembly at its sixty-ninth session on the experience gained under the extended pilot project and to provide the Assembly with his proposals, including budgetary and staffing implications, for the long-term establishment of such a system in the United Nations.**

Annex

Procurement in connection with major projects, 2007-2012

Year	*Purchase orders*	*Volume*
Information technology-related procurement		
2007	3943	203 264 290
2008	3854	231 917 870
2009	3904	266 479 235
2010	3658	273 476 932
2011	3735	290 326 574
2012	3519	262 847 889
Umoja-related procurement		
2007	5	2 702 328
2008	11	734 262
2009	16	8 766 880
2010	24	44 154 693
2011	24	25 528 772
2012	37	33 613 541
Capital master plan procurement		
2007	60	38 250 014
2008	116	228 946 246
2009	224	625 941 748
2010	281	388 976 444
2011	274	423 610 503
2012	287	238 278 043
IPSAS procurement		
2011	4	843 412
2012	5	578 810